



October 18, 2012

Ms. Wendy Woolf
State of Alaska, Department of Natural Resources
550 West Seventh Avenue, Suite 800
Anchorage, Alaska 99501

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**DIVISION OF
OIL AND GAS**

Re: West Eagle Unit Application

Dear Wendy:

Thank you again for taking the time to meet last week to discuss the West Eagle Unit. As you heard from me while we were together, Buccaneer is excited about the West Eagle prospect. We believe the data demonstrates that the proposed unit boundary overlies a significant gas prospect. The following expands upon some of the concepts we discussed. Please let me know if you have any additional questions, or if you require any additional materials as you evaluate our unit application.

If the unit is approved, Buccaneer will commence operations to drill a gas well by July 1, 2013 or earlier if snow conditions allow. Upon obtaining positive results from the well, we also plan to shoot 3D seismic over the unit area to determine locations for the additional wells we anticipate for full-field development. We have just received an approved Land Use Permit from the Kenai Peninsula Borough for the acquisition of the 3D seismic. Assuming a commercial discovery, Buccaneer intends to initiate gas production by 2014 given the field's proximity to infrastructure.

To demonstrate our commitment to developing the anticipated gas resources at West Eagle, Buccaneer has revised the plan of exploration, which is attached, and is now proposing that the POE include the following commitments:

- The West Eagle Unit will be divided into two (2) exploration blocks.
- Buccaneer will submit to the Division a second POE at least sixty days prior to the expiration of the Initial POE.
- The Second POE will describe plans for either drilling and completion of the second unit exploration well within Exploration Block B by September 30, 2014, or the completion of a new 3D seismic program.

- The Working Interest Owners agree that failure to either drill the second exploration well or complete the 3D seismic program within Exploration Block B by September 30, 2014, shall result in the contraction of Exploration Block B out of the West Eagle Unit (less any acreage included in either an approved or pending application for a participating area); and if acreage contracts out of the West Eagle Unit, the WIO's shall automatically surrender all expired State acreage that contracts out of the West Eagle Unit, effective the day the unit contracts.

In addition to the foregoing modifications to the POE, Buccaneer also is willing to discuss a drilling commitment, including a firm drilling contract or a performance bond, timing surrounding the submission of a Plan of Development, timelines to place the unit resources onto production, and other measures that will enable DNR to better protect the public interest.

I look forward to seeing you again soon.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark R. Landt", written in a cursive style.

Mark R. Landt
Vice President, Land and Business Development

OCT 19 2012

**DIVISION OF
OIL AND GAS****West Eagle Unit Agreement****EXHIBIT "G"-Rev 1****INITIAL UNIT PLAN OF EXPLORATION**

Buccaneer Alaska Operations, LLC ("Buccaneer"), as a result of the detailed mapping of magnetic, gravity and geochemistry data in the West Eagle Unit Area and the reprocessing and interpretation of approximately 233 miles of 2D Seismic, has identified a potentially commercial accumulation of hydrocarbons on the West Eagle structure. Buccaneer intends to drill the first well to identify a potential gas source in the Hemlock formation. Buccaneer has 100% Working Interest in nine (9) leases in the proposed West Eagle Unit which comprise a total of approximately 46,395.04 acres.

Buccaneer proposes an initial two year (2-Year) Initial Plan of Exploration (Initial POE) for the West Eagle Unit. Prior to September 30, 2013, Buccaneer, in its capacity as the West Eagle Unit Operator, plans to commence operations to drill the West Eagle No. 1 Well on Tract 1 (ADL 391145) to test a seismic anomaly in the Tyonek and Hemlock formations.

The West Eagle shall be divided in to two (2) separate blocks hereinafter referred to as "Exploration Blocks" described below:

West Eagle Exploration Block A (Block A)

- a. Tract 1: ADL 391145
- b. Tract 2: ADL 391144
- c. Tract 3: ADL 391625
- d. Tract 4: ADL 391141

West Eagle Exploration Block B (Block B)

- a. Tract 5: ADL 391146
- b. Tract 6: ADL 391149
- c. Tract 7: ADL 391142
- d. Tract 8: ADL 391147
- e. Tract 9: ADL 391148

The Unit Operator shall submit to the Division the Second POE at least sixty days prior to the expiration of the Initial POE. The Second POE will describe plans for either drilling and completion of the second unit exploration well within Exploration Block B by September 30, 2014 or the completion of a new 3D seismic program. The Working Interest Owners (WIO's) agree that failure to either drill the second exploration well or complete the 3D seismic program within Exploration Block B by September 30, 2014, shall result in the contraction of Exploration Block B out of the West Eagle Unit (less any acreage included in either an approved or pending application for a participating area); and if acreage contracts out of the West Eagle Unit, the WIO's shall automatically surrender all expired State acreage that contracts out of the West Eagle Unit, effective the day the unit contracts.

As justification of an extension beyond the end of the primary term of leases, from September 30, 2012, Buccaneer as the West Eagle Unit Operator will undertake the following initial plan of exploration:

POE, YEAR 2012-2014

- I. On or before **July 1, 2013** the Unit Operator will commence operations to drill Initial Well within the Block A that meets the following minimum criteria:
 - a. Drill a well to the shallower of basement rock or the stratigraphic equivalent to the Tyonek interval as seen between 4965 feet and 5100 feet in the Socal #1 Anchor River well ;
 - b. Drill to a bottom hole location within Block A of the Unit area;
 - c. Log the well (GR or SP, Resistivity and neutron/Density or Porosity: appropriate triple combo log); and
 - d. Complete, suspend, or abandon the well.
- II. If the Unit Operator fails to commence operations to drill the Initial Well described in Section I above, by **July 1, 2013**:
 - a. The West Eagle Unit will terminate;
 - b. All leases, except ADL 391625 will terminate effective **July 1, 2013**; and
 - c. The Unit Operator and the WIOs will be released from all further obligations.
- III. On or before **September 30, 2014** the Unit Operator will either drill a well within the Block B that meets the following minimum criteria:
 - a. Drill a well to the shallower of basement rock or the stratigraphic equivalent to the Tyonek interval as seen between 4965 feet and 5100 feet in the Socal #1 Anchor River well ;
 - b. Drill to a bottom hole location within Block B of the Unit area;
 - c. Log the well (GR or SP, Resistivity and neutron/Density or Porosity: appropriate triple combo log); and
 - d. Complete, suspend, or abandon the well.

Or;

 - a. Acquire a new 3D Seismic Survey within Block B with parameters to be determined.
- IV. If the Unit Operator fails to commence operations to drill the Second Well or complete a new 3D Seismic Survey described in Section III above, by **September 30, 2014**:
 - a. All leases in Block B will terminate effective **October 1, 2014**; and
 - b. The Unit Operator and the WIOs will be released from all further obligations in Block B.

POE General Provisions:

If the West Eagle Unit terminates for failure to fulfill any of the commitments in this Initial Unit POE, the WIOs will automatically surrender all expired State acreage within the Unit Area, effective the day the Unit terminates.